

Philip Morris USA

Implications

WEEKLY UPDATE IMPLICATIONS July 11, 1994

- Record PM-USA and Marlboro performance remain consistent across Shipment, Nielsen and Consumer Tracking sources.
- Most performance benchmarks remain favorable.
- Basic's share of Discount, \$ pack price gaps and B&H shipment benchmarks are unfavorable.

Shipments

- Shipments for PM-USA and all competitors except RJR were above projection for the first six days of the Third Quarter. *are QTD*
- Pre-July 4th volume advances and less than expected payback after the holiday inflated sales.

Retail Trends

- Competitors are expanding promotional support in preparation for summer programs.
- RJR appears to be shifting promotional emphasis towards Winston Select and Monarch free product offers.
- This may have slowed PM's growth in the last four week period.
- Marlboro continues to grow supported by B4G1F offers.
- The majority of the Discount category's decline (-0.5 points to 31.8) occurred in May following a stable First Quarter (32.6).
- GPC share growth is being fueled by wider distribution and a lowest price strategy in pack outlets.
- Basic has maintained its retail share, while shipment share has fallen below target.

Michigan State Excise Tax

- Retail volume is recovering with stable Premium/Discount mix and prices.
- Net of pantry loading, PM's decline (-7%) is favorable to Industry (-9%). RJR, American and Lorillard experienced greater losses.
- Marlboro's net retail volume loss (-5%) compares favorably with competitive Premiums (-12%).
- Slower volume erosion evident in C-stores (-6%) than Supermarkets (-18%).
- A shift toward pack sales in supermarkets (+11 points) reflects a broader trade class shifting dynamic.

- Marlboro's lower exposure to outlet shifting has contributed to its share growth in supermarkets (+1.1 points).
- Marlboro's C-store growth (+0.8) has been influenced by MCS promotional support.

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